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USING CREDIT WISELY

—Agent's Guide

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CURRENT SERIAL RECORDS

Credit is an everyday part of modern America. Everybody uses it. Low-income families are especially vulnerable to problems that grow from misuse and lack of understanding. The more you can teach them about credit, the better equipped they will be to use it wisely.

These credit leaflets are designed to teach homemakers to avoid unnecessary use of credit and to get it at the lowest cost when it is needed. *Be sure you study the program aide's guide and each of the leaflets before you plan your training program.* This will give you an opportunity to gather sample forms and contracts, appropriate anecdotes, and other teaching aids. During your training sessions, go through the program aide's guide and each leaflet with the program aides as you present the material.

The program aide's attitude toward the families she works with is very important. She must be understanding and sympathetic, yet objective. You might explain that sometimes a family has money problems for reasons beyond its control (such as illness or loss of job). Other families have just never learned how to manage money. Many families have never been out of debt. Women who must manage a household alone commonly have money problems.

Don't completely discourage the use of credit. Though families can buy more goods over a period of time if they can save money and pay

cash, using credit can be well justified occasionally. For example, if a family's refrigerator goes bad, they would be better off buying one on credit than to go without until they could save enough to pay cash.

Remember, these leaflets were designed only to remind the low-income homemaker of what she has learned from the program aide. Be sure the program aide knows the purpose of them and how to use them. You and the program aide must be familiar enough with the subject of credit to be comfortable in answering questions homemakers have. The last section of this guide is intended to remind you of some details about credit. The more you localize your discussion about the lessons (laws, rights, customs, etc.), the more effective your teaching will be.

Use the same method to teach program aides as they will use to teach the homemakers. This method is outlined in the program aide's guide. Tell the aides you are using this method to teach them. Then they will know how it works.

We suggest you present the leaflets in the following order:

1. What Is Credit?
2. Should You Use Credit?
3. Where to Get Credit
4. How to Figure the Dollar Cost of Credit
5. Your Credit Contract
6. Do's and Don'ts of Credit

Teaching Techniques

Talk about real situations. Establish a close relationship with the group. Don't preach. Don't set yourself or your family up as a perfect example. Lead the group to discuss the lesson topics:

- ask questions
- tell anecdotes
- relate your experiences
- use familiar expressions
- get them to tell their experiences
- use case studies, real or imaginary (see References).

Other Suggested Activities for Individuals or Groups

- Give a quiz on the words used in discussing credit.
- Ask the group to list reasons for and against using credit.
- Have individuals visit local stores that offer charge accounts or time payment plans. Ask them to report to the group on the different plans.
- Have the group compare cash prices with prices of things bought through a charge account or time payment plan in local stores.
- Do the same with prices listed in catalogs of several mail order companies.
- Get application forms needed to open a charge account or other kind of credit.
- Discuss how to fill out the forms.
- Discuss what each statement means and why it is on the form.
- Ask a group member to report on an actual credit problem. Discuss and prepare a list of solutions to the problem.
- Visit a local bank or retail credit bureau. Find out how it operates. A tour through a bank may be a new experience.

- Ask your State Extension home management specialist, a credit bureau manager, banker, lawyer, or person from the credit department of a store to talk to your group or serve on a panel discussing the uses and abuses of credit. Be sure the business person you choose is objective.
- Ask the program aides to figure the dollar cost of credit and the true annual interest rate on a loan or purchase.
- Ask them to bring one of their contracts. Discuss the terms of the contract.
- Ask your State specialist for any other suggestions or help she can offer.

SPECIAL INFORMATION ABOUT THE CREDIT LEAFLETS

What Is Credit?

Be sure your home economics program aides are familiar with all terminology in this leaflet. If you have a Consumer Interest Committee in your area, utilize their services. Perhaps they can help you get speakers. How about someone from a legal aid service? Could they add information to your aides' background?

Should You Use Credit?

Caution your program aides to remain as objective as possible in going through these reasons for and against credit. After learning about the many pitfalls of using credit unwisely, they may unconsciously emphasize the negative.

There are no hard and fast rules on how much credit you can afford. Each family must calculate its own credit capacity. Families with the same income differ in makeup, job potential, skills, and health—credit capacity is figured accordingly. Basing installment payments on



temporary income—overtime, moonlighting—is a mistake.

Fast-talking salesmen and “con” men are mentioned in the program aide’s guide. You may want to caution aides about:

- Inflated prices and excessive interest charged by some unscrupulous used car dealers.
- Food-freezer plans that charge too much for the equipment and deliver low quality or a poor selection of food.
- Contracts that may be purchased by a finance company that can deny any liability for promises the salesman has made.
- Package furniture deals that deliver shoddy merchandise at inflated prices and high credit rates.
- Door-to-door selling frauds.
- Conditional sales contracts (if you get X number of people to buy something after seeing your demonstration model, you get yours free, etc.).

Where to Get Credit

This leaflet lists the common places to buy on credit or get loans. Familiarize yourself with local sources before going through this material with your program aides. Perhaps they will know of places, too, so you can add to this list.

If bank credit cards are used in your locality, include them in your discussion with program aides.

Remind program aides that “collateral” or “security” is the property put up to secure a loan. If the loan isn’t paid off, the lender may get the property.

Point out that interest charges may change from time to time as economic conditions change. Interest charges will be in proportion to interest paid on savings accounts.

A credit union can be formed by any group of people with a common interest, such as persons living in a neighborhood or housing development, members of the same church, or workers for the same organization or business. Credit union leagues in several cities have helped people form credit unions in recent years.

Information on how to set up a credit union and how they function may be obtained by contacting the Bureau of Federal Credit Unions, U.S. Department of Health, Education and Welfare, Washington, D.C. 20201, or the State agency that charters and inspects State banks.

How to Figure the Dollar Cost of Credit

Note that we have pointed out this leaflet as a key one. When homemakers know how to figure dollar costs, they are better equipped to shop for credit, understand contracts, judge whether or not to use credit, and avoid credit problems in general.

Along with either this lesson or *Should You Use Credit?*, show the program aides how to help a homemaker list income and expenses, so she can figure what is left over for "buying on credit". Because most credit is set up on a monthly payment basis, a monthly budget is needed. A homemaker will know more about her daily or weekly income and expenses, so it will be necessary to figure from there.

This is a good place to introduce your program aides to the booklet, *Managing Your Money*. (See References.)

Your Credit Contract

Check local and State laws so you can localize these lessons. Laws vary from one State to the next. For example, most States permit an "add-on" clause in contracts which makes previous purchases collateral for new ones.

Check, also, about wage assignment clauses.

Do's and Don'ts of Credit

This leaflet reviews many points brought out in other leaflets. It provides a checklist for homemakers who are using credit, so remind program aides to give one to each woman after they go over the points together.

NOTE: If you wish to teach how to figure true annual interest rates or explain terms like

"simple interest", "add-on interest", "discounted interest", etc., see *When You Use Credit—For the Family*, listed in References below.

REFERENCES

When You Use Credit—For the Family, Division of Home Economics, Federal Extension Service, U.S. Department of Agriculture. On sale from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, at 10¢ per copy or \$7.50 per 100 copies.

Consumers All, 1965 Yearbook of Agriculture, pp. 157-165. On sale from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, at \$2.75 a copy.

How to Make the Most of Your Money, Appleton-Century, New York, 1966. \$5.95.

Managing Your Money, Division of Home Economics, Federal Extension Service, U.S. Department of Agriculture. On sale from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402, at 10¢ a copy or \$7.50 per 100 copies.

Mind Your Money When You Use Credit, Money Management Institute of Household Finance Corporation, Prudential Plaza, Chicago, Illinois 60601. Free.

The Spender Syndrome, Center for Consumer Affairs, the University of Wisconsin, University Extension, 432 North Lake Street, Madison, Wisconsin 53706. Price \$4.00 per copy; 25% discount on 10 or more copies; payment or institutional requisition must accompany orders for single copies.

Cooperative Extension Work: United States Department of Agriculture and State Land-Grant Universities Cooperating.

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